



ACQUISITION AND
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DEPARTMENT OF DEFENSE INSPECTOR GENERAL
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (A&T)
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Establishment of a Study Group on Program Manager Oversight of Life-Cycle Support

Section 912c of the National Defense Authorization Act for Fiscal Year 1998, directs the Secretary of Defense to conduct a review of the organizations and functions of the Department of Defense acquisition activities and of the personnel required to carry out those functions. In the Secretary's letter to Congress transmitting the implementation plan directed by section 912c, he committed to establish a study group to determine what policy changes, if any, are needed to implement the initiative to establish Program Manager oversight of life-cycle support.

Accordingly, under the authority delegated to me in the Secretary's memo of July 13, 1998, I direct the establishment of the subject study group, to be lead by the Director, Acquisition Program Integration. The output of the study will be what policy changes, if any, are needed to implement the initiative. The charter for the study group is attached.

Addressees are to provide study group participants for this effort. The participants should be selected to ensure the study group encompasses financial/resource management, operational and functional perspectives. Names should be provided as soon as possible and no later than September 1, 1998, to Bob Leach at (703) 695-5166. The study group participation requirement is for part-time staff (i.e., less than 50% of the designated staff's time will be required for this effort). The initial meeting for the study group is scheduled for September 2, 1998, from 1300 to 1430 hours in Pentagon, room 3D1019.

A final report of the study group will be provided to me, as specified in the attached charter, by February 26, 1999.

Dave Oliver
Principal Deputy



CHARTER FOR THE PROGRAM MANAGER OVERSIGHT OF LIFE-CYCLE SUPPORT (PMOLCS) STUDY GROUP

INTRODUCTION AND BACKGROUND

In today's environment, most Program Executive Officers (PEOs) and Program Managers (PMs) have direct responsibility and control of funding for development and fielding weapon systems and equipment. Once the system or equipment is fielded, the PM retains overall responsibility for the system or equipment, but loses control of significant portions of the funding required for support. This practice results in much higher life-cycle costs than should be the case, because the PEO and PM have no incentive to take action, during development or modification of the systems, to design into the equipment features that will improve the reliability, availability, and maintainability of the fielded systems; and it divides the responsibility for system support among many agencies. Responsibility for operation and support costs is important to incentivize proper trade-offs during development, acquisition, modification, and to control total ownership cost. Funding control improves program stability and allows PMs to optimize the effectiveness of, and support for, their weapon system.

AUTHORITY AND DIRECTION

Secretary of Defense letters to the President of the Senate and the Speaker of the House of Representatives, dated April 1, 1998, forwarded a report to Congress, "Actions to Accelerate the Movement to the New Workforce Vision." In Paragraph 2.4 of the report, which addresses an initiative to Establish Program Manager Oversight of Life-Cycle Support, the Secretary states that he will direct the Secretaries of the Military Departments each to designate at least 10 significant (i.e., large operations and support cost) programs for which the PM will be made responsible for ensuring that the product support functions are properly carried out over its entire life cycle.

The Director, Acquisition Program Integration (D, API) is directed to establish a study group to report to the USD (A&T) on what policy changes, if any, are needed to implement fully this initiative. The study group membership shall include representatives from the Office of the Secretary of Defense staff, the Military Departments (including PEOs and PMs), the Joint Staff, the CINCs and the Defense Agencies. The team members shall be selected to ensure resource management, operational and functional perspectives.

STUDY OBJECTIVES

The study group will conduct a review of the adequacy of current policy to implement fully this initiative. The study group shall be guided by, but not limited to, the following objectives:

1. Identify product support functions (e.g., supply, maintenance, and transportation) for a weapon system or equipment, the organizations that are responsible for the costs of that support function, and policy documents that authorize that control.
2. Determine which of the support functions are appropriate for the PM to control in order to reduce life-cycle costs.
3. Determine what changes need to be made to the policy documents, procedures, or practices that will enable the PM to control the costs of the support functions.

SCHEDULE

The study group will:

1. Provide a progress report to the D, API, by December 1, 1998.
2. Provide a draft final report to the D, API, by January 16, 1999.
3. Report its conclusions and recommendations to the USD (A&T) by February 26, 1999.